VZCZCXRO1160 PP RUEHFK RUEHKSO RUEHNAG RUEHNH DE RUEHKO #3324/01 1670834 ZNR UUUUU ZZH P 160834Z JUN 06 FM AMEMBASSY TOKYO TO RUEHC/SECSTATE WASHDC PRIORITY 3311 INFO RUEKJCS/SECDEF WASHDC PRIORITY RHEHAAA/THE WHITE HOUSE WASHINGTON DC PRIORITY RUEAWJA/USDOJ WASHDC PRIORITY RULSDMK/USDOT WASHDC PRIORITY RUCPDOC/USDOC WASHDC PRIORITY RUEAIIA/CIA WASHDC PRIORITY RUEKJCS/JOINT STAFF WASHDC//J5// RHHMUNA/HQ USPACOM HONOLULU HI RHHMHBA/COMPACFLT PEARL HARBOR HI RHMFIUU/HQ PACAF HICKAM AFB HI//CC/PA// RHMFIUU/COMUSJAPAN YOKOTA AB JA//J5/J021// RUYNAAC/COMNAVFORJAPAN YOKOSUKA JA RUAYJAA/COMPATWING ONE KAMI SEYA JA RUEHNH/AMCONSUL NAHA 9380 RUEHFK/AMCONSUL FUKUOKA 6767 RUEHOK/AMCONSUL OSAKA KOBE 0012 RUEHNAG/AMCONSUL NAGOYA 6680 RUEHKSO/AMCONSUL SAPPORO 7917 RUEHBJ/AMEMBASSY BEIJING 2819 RUEHUL/AMEMBASSY SEOUL 8990 RUCNDT/USMISSION USUN NEW YORK 0769

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FAS/ITP FOR SCHROETER; PACOM HONOLULU FOR PUBLIC DIPLOMACY
ADVISOR; CINCPAC FLT/PA/ COMNAVFORJAPAN/PA.

E.O. 12958: N/A

TAGS: OIIP KMDR KPAO PGOV PINR ECON ELAB JA

SUBJECT: DAILY SUMMARY OF JAPANESE PRESS 06/16/06

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ARTICLES:

(1) Decision to withdraw GSDF from Iraq to come this month, conditioned on transfer of public security to Iraqi forces

ASAHI (Top play) (Excerpt)

The government has firmed up its intention to decide this month on the withdrawal of Ground Self-Defense Force (GSDF) troops stationed in Samawah in the southern part of Iraq. The reason is because of the outlook that public security authority for Musanna Province that includes Samawah will be returned to Iraq's official government possibly next week. Upon receiving Prime Minister Koizumi's final decision, the withdrawal could come out prior to the Japan-US summit meeting on June 29. The Prime Minister has it firmly in mind to bring about the withdrawal of GSDF by the end of September, when his term in office expires. The government's plan is to complete the move of the GSDF to Kuwait in about one month, so the pullout could be over by mid-August.

(2) Koizumi, Mori ostensibly sit on fence regarding Abe, Fukuda candidacies; exchange views on LDP presidential race

NIHON KEIZAI (Page 2) (Full) June 16, 2006

Prime Minister Junichiro Koizumi held a one-hour meeting last nigh at a hotel in Tokyo with former Prime Minister Yoshiro Mori, who heads the largest faction of the Liberal Democratic Party (LDP). With all eyes now focused on the two prospective post-Koizumi contenders, Koizumi and Mori agreed to wait and ostensibly see the moves of Chief Cabinet Secretary Shinzo Abe and former Chief Cabinet Secretary Yasuo Fukuda in connection with the September LDP presidential election. Mori expressed his intention to step down from the faction's chairmanship following Koizumi's withdrawal from the LDP presidency. He then asked Koizumi to return to the faction, but the prime minister turned

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down the offer.

Mori explained the contents of the meeting to reporters.

Mori told Koizumi, "If you come back to the faction, everything will be resolved." Koizumi, however, responded: "I will not return. Since I assumed the prime minister's post after quitting the faction's membership, it does not make sense for me to rejoin the faction."

Against the background of Mori's intention to step down from the faction's chairmanship, there is a question of how the faction should treat Abe and Fukuda

In a meeting of senior Mori faction members on June 14, it was learned that many in the faction favored Abe as a successor to Koizumi. Fukuda has yet to clarify his position toward the presidential race. If Abe in the end becomes the next prime minister, how to treat Fukuda will become even more difficult for Mori.

In January, Mori sounded out Fukuda to become the faction's acting head, but Fukuda refused. Mori seems to have the notion that if Abe becomes prime minister, Fukuda would then head the faction.

In the meeting last night, Koizumi referred to moves by other factions, saying, "I wonder whether(three factions hailing from the former Miyazawa faction) will re-form themselves into the Kochikai (name of the defunct faction). Mori then said, "It would be extremely difficult for them to bury the hatchet for the common good."

Other factions held meetings yesterday. The Tsushima, Ibuki and Nikai factions shared the view in a meeting of their secretaries general that it would be important to choose a person who could become their standard-bearer in next year's House of Councillors election as the next LDP president. The Niwa-Koga, Tanigaki, and Kono factions, members of which hailed from the former Miyazawa faction (Kochikai), agreed to strengthen their cooperative ties, letting junior members attend meetings.

A nonpartisan parliamentary group headed by Taku Yamasaki has issued a set of proposals calling on the government to erect a secular national peace memorial. Fukuda is also a member of the group.

The group will make Asia diplomacy into a major campaign issue, aiming at a rallying together of forces. They will focus on the improvement of relations with China and South Korea, strained due to Koizumi's five visits to Yasukuni Shrine,.

About 30 lawmakers, who were elected for the first time to the Diet last year, held a meeting yesterday, in which they decided to urge the party executive to take leadership in endorsing candidates for the next Lower House election. They will try to gain political sway.

The current regular session of the Diet is to end today essentially. The LDP has already been dominated by the presidential race though there are three months to go before the election.

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(3) Interview with former Prime Minister Yoshiro Mori on LDP presidential race

ASAHI (Page 4) (Abridged) June 16, 2006

Asahi: In your view, what are the most important qualifications required of a person replacing Prime Minister Koizumi, who has been in office for five years?

Mori: The person has to have a gentle nature and the capability of healing (the country). Japan will crumble unless politics constantly gives warm consideration to local areas across Japan. If urbanites would go, 'We don't want our tax money to be spent on rural areas,' then rural people would say, 'Then who is going to take risks associated with nuclear power plants and military bases?' I'm afraid the Koizumi reform drive has encouraged such a trend to some extent.

Asahi: Are you suggesting that the LDP may not be able to achieve a victory in the House of Councillors election next summer by just continuing with the Koizumi reform drive?

Mori: The LDP will lose if people think 'nothing has changed.'
It's important for people to think 'The LDP has been considerate toward local communities as well.' We must not show any weakness to Minshuto (Democratic Party of Japan), which has no principles.

Asahi: Mr. Abe has an image of a "direct descendant of Mr. Koizumi."

Mori: The prime minister and the chief cabinet secretary are inseparable. Prime Minister Koizumi seems to have been telling many things to Mr. Abe for his own good. In any case, with his tenure as chief cabinet secretary nearing an end, Mr. Abe should call a spade a spade in dealing with the prime minister. Speaking in one voice with Prime Minister Koizumi has both pluses and minuses.

Asahi: Did you talked to Mr. Abe and former Chief Cabinet Secretary Yasuo Fukuda to learn of what's in their hearts?

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Mori: There was an opportunity to talk to Mr. Abe, and I think I know his feelings pretty well. He said, 'Public opinion has been pushing me. If I refuse it, I won't be able to fulfill my political mission.' If fulfilling it was his mission, backing someone else could be his mission as well. Mr. Fukuda hasn't told me anything. He simply said, 'It's too early (to touch on the presidential race).'

It's not bad for two persons from the same faction to run in the race, but the two persons must talk things out first. They should discuss, for instance, what must be done for the country, and if their views happened to coincide, they should go deeper from there. They no longer need Mr. Koizumi's encouragement or my advice.

Asahi: If you don't want to break up the Mori faction, there is no other way but to pull the faction together with Mr. Abe, who is popular in the faction, is there?

Mori: That could be one approach, there are some people who say, 'My personal preference is Abe but I will follow the chairman's

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view in the end.'

Asahi: There are vocal calls outside the faction for Mr. Fukuda, aren't there?

Mori: There are all sorts of views. For some, rejuvenation is not good because it might deprive them of their chances. Some others fear that Mr. Abe's overwhelming victory would throw them out of

Asahi: Prime Minister Koizumi clearly indicated that he would eventually back someone -- designation of his successor, so to speak.

Mori: Everyone has been working hard for Mr. Koizumi. People are quick to mention only Fukuda and Abe. But we shouldn't forget Foreign Minister Aso and Finance Minister Tanigaki in the Koizumi cabinet. They have all assisted Mr. Koizumi. Both Abe and Fukuda are like sons of our family (Mori faction), and we shouldn't discuss who should go first.

(4) Abe supporters (Part 3): Inactive original supporters

TOKYO SHIMBUN (Page 2) (Abridged) June 15, 2006

The Parliamentary League to Support a Second Chance held its inaugural meeting at the Liberal Democratic Party headquarters on June 2. The league is a de facto support group for Chief Cabinet Secretary Shinzo Abe, 51, for the upcoming LDP presidential

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election. About 20 minutes into the session, House of Councillors member Ichita Yamamoto, 48, had to leave the hall to attend funeral services. Yamamoto regretted having to leave the session so early, but he was happy at the same time. "Good. The first stage in the strategy for the LDP presidential race has now been completed," Yamamoto said to himself.

Yamamoto feared that calls for keeping Abe in reserve and out of the race would grow louder in order to maintain factional balance. The attendance of nearly 100 lawmakers at the league's inaugural meeting indicated that such calls would now subside, and Yamamoto felt relieved.

But Yamamoto's early departure from the meeting made another participant speculate that he was being left out of the loop.

In fact, Yamamoto is not an organizer of the league. He was only recruited by Isshu Sugawara, 44, in late May.

No traditional "Abe loyalist," including Yamamoto, played major roles in launching the league.

Such dyed-in-the-wool Abe supporters as Yasuhisa Shiozaki, 55, and Hiroshige Seko, 43, are rank-and-file league members, as is Yamamoto. Nobuteru Ishihara, 49, and others did not show up at the inaugural meeting.

Shiozaki and others were once dubbed a "new policy breed," but today they are like "big brothers" to the junior members, along

with Abe.

They are supposed to be serving as engines to propel Abe to the LDP presidency, but they have been inactive.

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The reason is simple. Being extremely close to Abe, they cannot dash ahead toward the presidential goal while Abe is still committed to his cabinet duties.

Shiozaki and others are expected to play central roles in producing Abe's manifesto, once he officially announces his candidacy.

But rumor has it that the establishment of the league by Yuji Yamamoto, 54, and other junior members has left an unpleasant aftertaste for Shiozaki and other "big brothers."

In late May, a league organizer asked an original Abe loyalist to join the group. The loyalist in response said quietly: "The plan will fail. Don't bring shame on yourself." The organizer immediately sensed the loyalist's ill feelings toward the league.

Abe supporters are tasked now with eliminating the subtle discord that exists between the original supporters and league executives.

(5) Interview with Heizo Takenaka on achievements of Koizumi administration over five years (Part 1): Fight with bureaucrats was hard, with limited number of able human resources

ASAHI (Page 15) (Full) June 16, 2006

The last Diet session for the Koizumi administration ends today. Various evaluations have been made about the Prime Minister's reform initiative. The Asahi Shimbun interviewed Minister of International Affairs and Communications Heizo Takenaka, who took the lead in promoting the reform drive, about how he evaluates the administration's achievements over the past five years.

(Interviewed by editorial board members Atsushi Yamada, Hiroshi Hoshi)

Hoshi: You are the only one who has held a cabinet post over the entire five years since the launching of the Koizumi administration. How do you evaluate that period?

"A so-called guerrilla unit - composed of five to 10 members - proposed privatizing postal services. The Council on Economic and Fiscal Policy worked out its basic policy, and the post of minister for postal privatization was set up in the Cabinet Secretariat. Because the new post was placed under the prime

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minister, the postal privatization task was successfully carried through. If the task had been left in the hands of officials of the former Ministry of Posts and Telecommunications, postal services would never have been privatized, although there are some areas in which bureaucrats are taking charge of reform."

Hoshi: You have fought with bureaucrats over the last five years. Listening to recent Diet questions to you, I feel that bureaucrats might have drafted some of the questions from both the ruling and opposition camps.

"I also have the impression that government officials have exerted influence widely over the ruling and opposition blocs. It is true that since carrying out politics and policymaking are a high-level knowledge-intensive industry, it is also necessary to

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limited number of persons can see through their plots and come up with clever ideas equivalent to theirs. Under such a circumstance, it is very difficult to make and implement reform plans over negative reactions from bureaucrats."

Yamada: Recently, the Liberal Democratic Party and the opposition camp have turned out lawmakers equipped with skills in policymaking.

"There are now many junior members who hailed from other circles than the bureaucracy. While many of them are good at policymaking, they also have ties to special interest groups."

Yamada: Don't you feel that there is a limit to reforms carried out under the LDP administration? I cannot understand why you joined the LDP.

"I was satisfied with being an academic. I had never thought that I would become a politician. But I decided to help Mr. Koizumi in response to his request, because I though it was a miracle that a person like Mr. Koizumi became LDP president and prime minister. This miracle will end this September. I am very pessimistic about post-Koizumi politics in Japan."

Hoshi: Academics make judgments based on whether policies are proper or not. Now that you joined the political world, a quest for winning, for forming an administration or overthrowing this or that person, has also become your task, hasn't it?

Yamada: What are tasks left unfinished and what was most disappointing to you?

"The goals I aimed for have all been implemented, including the disposal of nonperforming loans and the privatization of postal services. It is somewhat regrettable, though, to see the plan of advancing economic and fiscal policies in an integrated manner has returned to a clean state. For the ongoing reform of telecommunications and broadcasting, I would like to pave the way based on an agreement between the government and the ruling camp.

The fourth round of Takenaka bashing is now going on. The first bashing occurred when the first Basic Policies for Economic and Fiscal Management was drawn up. The second one came in reaction to the reform of the financial system, and this was most intensified. The third one came against postal reform. In these three rounds of bashing, criticism came from politicians, and they tried to sack me, so I was scared. This time, though, bureaucrats have reacted negatively, so I have no keen sense of tension, though the feeling is unpleasant."

(To be continued)

(6) Editorial: No problem about nuclear flattop's safety?

TOKYO SHIMBUN (Page 5) (Full) June 16, 2006

The US Navy's Yokosuka base in Kanagawa Prefecture will be the first in Japan to deploy a nuclear-powered aircraft carrier. The naval base is located near densely populated areas. In the event

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of an accident, the nuclear flattop would bring about a serious disaster. We wonder if there is no problem about its safety. The government should do all it can to dissolve the anxieties of basehosting local communities.

Yokosuka City's Mayor Ryoichi Kabaya has now accepted the US Navy's planned deployment of a nuclear-powered aircraft carrier to his city. In response, the Japanese and US governments decided yesterday to dredge the seafloor near a berth at the base to homeport the nuclear flattop in 2008. They are apparently going great guns to the point of excess.

The USS Kitty Hawk, a conventional aircraft carrier currently homeported at Yokosuka, will be mothballed in 2008. Kanagawa Prefecture and Yokosuka City have asked the US Navy to replace the Kitty Hawk with another conventional flattop.

However, the United States no longer builds any conventional aircraft carriers. The US government once considered the idea of renovating the USS John F. Kennedy, a superannuated conventional carrier, to extend its life and replace the Kitty Hawk. In the end, however, the US government decided to deploy the USS George Washington, a nuclear-powered aircraft carrier. The United States considered its military judgment first and ignored the wishes of Yokosuka citizens.

Of course, Yokosuka's local communities opposed the nuclear carrier deployment. They have not changed their minds to favor it. The mayor stated that he would accept the planned deployment of a nuclear carrier to Yokosuka. It was a tough choice for he was sure that the government would not think twice about his opposition. If that is the case, the mayor wants the government to listen to local requests for safeguards. We want the Japanese government to realize that point.

One of our primary concerns is safety. The US government has underscored that nuclear-powered US warships have made over 1,200 visits to Japan since 1964 but there has never been a single incident of damage to human health or the environment. However, the US government has not unveiled technical data about nuclear reactors. It is an obvious fact that Yokosuka will shoulder unpredictable danger.

The US government has told the Japanese government that the George Washington will stop its nuclear reactors in port and will not repair its nuclear reactors nor will replace its nuclear rods in Japan. However, Japan has no ways to verify that. This cannot wipe out local anxieties.

In the case of nuclear power plants, radioactive leakage and other accidents are to be reported to the government and municipalities. However, what about US warships? Their accidents, if not reported at once, could bring about serious disasters.

The mayor has requested the government to work on the US Navy to enter into a mutual assistance agreement in preparation for nuclear disasters and other eventualities and to participate in local disaster drills. In addition, the mayor has also asked the government to reinforce its radiological detection setup at the base and in its environs. The mayor may well ask the government to do so.

Japan, an atomic-bombed nation, has a strong sense of resistance

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to the use of nuclear energy for military purposes. Even so, the US Navy will deploy a nuclear carrier to Yokosuka. We want the Japanese and US governments to do whatever it can for the safety of local residents.

(7) FTC to review merger screening guidelines, taking US-style oligopoly standards into account

NIHON KEIZAI (Page 5) (Full) June 16, 2006

The Fair Trade Commission (FTC) has decided to revise its merger screening guidelines. It will undertake the work with focus on efforts to scrap the current share-cap system, which virtually authorizes mergers if the domestic share of a merged company is below 35%, and adopt a system similar to that of the US to be used when judging whether applied mergers should be authorized or not, based on the degree of the oligopoly of the market in question. However, in many cases, it is unclear whether these revisions will lead to deregulation as sought by industrial circles and the Ministry of Economy, Trade and Industry (METI).

The move for the revision is in response to a call from

industrial circles. According to the results of screenings carried out from fiscal 2002 through fiscal 2004, more than 80% of applied mergers with their after-merger market share between 35% and 50% were judged as having no problems and deemed in compliance with the Anti-Monopoly Law. In response to a rise in calls for changing the merger guidelines so that companies find it easier to decide to reorganize themselves, if there are no problems even if their after-merger market share tops 35%, METI has come up with a plan to ease the share-cap rule to below 50%.

Following this, FTC Secretary General Akinori Uesugi during a press conference on June 14 noted: "If there is misunderstanding that it is not possible for companies to merge, if their aftermerger market share tops 35%, it is necessary to change the guidelines." However, the FTC is opposing the METI proposal, noting, "In view of consistency with international guidelines, it is not possible to simplistically raise the share-cap." Instead, the FTC is eyeing the US guidelines.

In the US, the propriety of mergers is judged, based on the degree of the oligopoly of higher-ranked companies in the market as a whole to which they belong — the Herfindahl-Hirschman Index (HHI) worked out, by separately squaring the share of each company to be merged and adding their figures. An after-merger market share cannot provide direct information for making a decision. For instance, if the HHI of the overall industry increases by more than 100 to over 1,800 as a result of a merger, the applied merger will have to undergo a strict screening, as it is regarded as posing many problems. The FTC said, "The HII indicates a more accurate competitive situation of the market, such as price compelling power. Japan's present guidelines also include such conditions as "below HHI 1,800." Chances are that if Japan shifts its guidelines to the US-type, discarding the share standard, the freedom of reorganization will increase in less oligopolistic industries.

However, even in the US, a large industrial organization that brings about a company with a market share of 50%, infringes on the guidelines. In industries that are already oligopolistic, guidelines will become stricter. For instance, Nippon Steel Corp.

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with a crude steel share of approximately 30% and Kobe Steel with such a share of about 7%, can merge under the present guidelines, but under the US method, their merger will be judged as problematical, because the HHI of leading companies in the steel industry is already over 1,800, and the HHI will increase by 400 if the two companies merge.

However, regarding the HHI, there is a view that it is not easy to calculate shares of all companies. For this reason, the FTC will plan to include a regulation in the guidelines: "Mergers that bring about a market share of 35% are possible, if they do not lead to restrictions on competition." In any case, there is a strong possibility that revisions will not meet METI's desire to accelerate Japanese companies' reorganization, thereby enhancing their international competitiveness. The FTC's study started next spring will likely encounter complications.

(8) "Hissen" column: Memories from days gone by

TOKYO SHIMBUN (Page 1) (Full) June 16, 2006

After the end of World War II, June 15 was long remembered as the day Japan and the United States entered into their bilateral security treaty. In those days, demonstrators crying out against the security pact besieged the Diet. This now appears to have finally gone out of people's memories.

Yesterday, 46 years later, we reported the Yokosuka mayor's clarification of his intention before his city's municipal assembly to accept the US Navy's planned deployment of the USS George Washington, a nuclear-powered aircraft carrier, to its Yokosuka base. That is because the government assured the safety of the aircraft carrier's nuclear reactors, the mayor was quoted

as saying. It's strange enough to argue about the safety of weapons that are used to kill people. For now, let us set aside such a curious argument.

Security arrangements between Japan and the United States have now turned out to be a bilateral alliance in the US military's global transformation. Japan is now playing a part in the United States' global strategy. Last year, Japan's defense spending totaled 5.1864 trillion yen, or 45.3 billion dollars in US currency. This was the fourth largest amount of defense spending in the world-and one billion dollars more than China's.

In the years ahead, Japan is expected to pay 3 trillion yen, apart from its defense budget slot, to share the cost of realigning US military bases in Japan. The government made a cabinet decision on June 9 to upgrade the Defense Agency to the status of a ministry and has introduced a package of relevant legislative measures to the Diet. The landscape of Japan has thus changed over its national security.

Tokyo Gov. Ishihara recently wrote for a monthly magazine that featured a battle of words over patriotism. In his essay, Ishihara was fed up with young people who have never known Japan and the United States were once enemies at war. Ishihara insisted on the necessity of teaching young people the modern and contemporary histories of Japan. Ishihara writes that he was once asked by a US lawmaker about what lies at the bottom of his mindset toward the United States. Ishihara says he told the US lawmaker that it's based on the hostility he had felt when he was

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strafed by a US carrier-borne fighter plane.

We must also teach the history of Japan that restarted as a pacifist nation after the end of WWII. In December 1967, the Sato cabinet set forth the so-called three nonnuclear principles of not producing, possessing or allowing nuclear weapons into the country. This triple nonnuclear doctrine remains Japan's national policy even now. We must also teach this fact. In January 1968, Sasebo citizens stood in the way of the USS Enterprise, a nuclear-powered US aircraft carrier, against its port entry. We must teach this fact, too. Bygone days must not fade out of our memories.

SCHIEFFER